

Remittances for Development

September 2005

In 2004, the approximately 700,000 Hondurans living outside of Honduras sent home \$1 billion to family members residing in Honduras. (Honduras total GDP for 2004 was \$6 billion.)

Project Brief:

Title: The impact of remittances for local economic development in Olancho, Honduras

Description: Research on the impact of remittances in Olancho, Honduras.

Responsible Partner: RDS

Remittances to Honduras are now the largest source of foreign exchange and direct foreign investment, and exceed total amounts of foreign aid to Honduras. Remittances are also the first source of income for Hondurans, providing more revenue than the *maquila* sector (the first generator of GDP up until last year), and tourism. In 1998 (just prior to Hurricane Mitch), remittances to Honduras totalled \$160 million. The astounding increase over the past seven years in remittances sent to Honduras reflects the situation of extreme poverty that characterizes the reality of most Hondurans. Migration and the corresponding receipt of remittances has become a principle strategy for reducing poverty in Honduras.



As remittances play a growing role as an important source of income for many Hondurans (and in Central America more generally), it is important to understand what is happening with these remittances: Who is sending remittances and for what purpose? Who is using remittances? How are remittances being invested? How might these resources be channeled to maximize the well being of those to whom they intend to benefit?

Participating Partners:

- RDS
- Grupo de Remesas
- UNAH-PLATS

To date, limited research has been done on remittances in Honduras, and little is known about the effect and use of remittances for alleviating poverty in Honduras. When a key group of five organizations working on issues of migration and remittances got together to develop a strategy for how to address this new phenomenon, there was not enough information available about remittances upon which to make an informed decision about appropriate strategies.

In response to the lack of information and knowledge about remittances, this group –the *Grupo de Remesas*, led by the Red de Desarrollo Sostenible (RDS)-- brought together key actors working on issues of remittances in Central America, in order to assess the state of the art of knowledge and research on this issue.

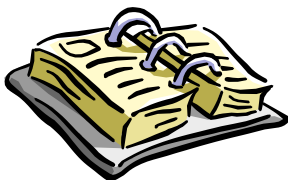
The high-profile meeting brought together members of the government, including President Maduro and members of his cabinet, to meet with actors from the private sector (chambers of commerce and banks) and of civil society to present existing studies and to discuss the reality of remittances in Honduras. This *encuentro*, funded by CIDA, USAID, BID, UNDP, Trocaire, and ICA, served to raise the profile of remittances as an issue for development in Honduras, and provided the Grupo de Remesas with a platform from which to assess current information and knowledge needs about remittances in Honduras.

Expected Outputs of this Project

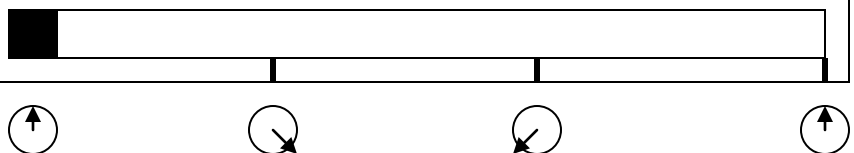
- Better understanding of how remittances are being invested in Olancho.
- Local researchers trained in methods for carrying out research about remittances.
- Recommended strategies for harnessing the potential of remittances for development in Catamacas and Juticalpa Olancho.

Based on this assessment of the state of the art about remittances, the Grupo de Remesas developed a research agenda to meet their information needs for better understanding remittances as a tool for development in Honduras.

The IDRC Honduras Program is supporting the Red de Desarrollo Sostenible (RDS), as the lead institution of the Grupo de Remesas, in carrying out this research agenda. In particular, IDRC is supporting RDS to carry out research examining the use and impact of remittances for local economic development in key municipalities of Olancho, which receive up to 18% of the remittances sent to Honduras.



Timeline Progress:



The research will provide key recommendations to organizations working in Olancho, including international donor agencies, about appropriate strategies for harnessing the potential of remittances for local development. The research will also contribute to strengthening RDS's own programming of action-research on remittances in the search for appropriate intervention strategies for development.

Lessons Learned: Remittances are becoming an increasingly important livelihood strategy in response to extreme poverty in Honduras. But not enough is yet known about the effects of remittances on families and communities affected.